

Procurement Training

June 16, 2016



The Child and Adult Care Food Program

*playing a vital and integral role in improving
the overall quality of care and daily nutritional
health of participants*

Agenda

- Procurement Basics
 - Federal Requirements
 - Micro-Purchasing
 - Step-by-Step Review of Small Purchase Procedures
 - Submissions to the State Agency
 - Step-by-Step Review of Large Purchase Procedures
 - Submissions to the State Agency
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Procurement Basics

- Procurement standards and regulations ensure **food, supplies, equipment, and other goods and services** are obtained *efficiently, economically, and in accordance with the law.*





Why Do Procurement?

- Promote full and open competition for your business
 - Get the best possible **services** that meet your **needs** at the best **price**
 - Avoid problems with conflict of interest...and worse (accusations of fraud, bribery, etc.)
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Federal requirements include...

- Develop and maintain a written code of conduct that covers conflicts of interest, including organizational conflicts of interest, and governs the performance of employees engaged in the selection, award, and administration of contracts
- Maintain sufficient records to detail the procurement history
- Avoid acquisition of unnecessary or duplicative items

7 CFR Part 226.22 & 2 CFR Part 318(d)

Written Standards of Conduct

- Prohibits real, or apparent conflicts of interest
 - Covers employees, officer, or agent engaged in the selection, award, and administration of contract
 - No financial/other interest in, or a tangible personal benefit from, a contract
- Prohibits soliciting/accepting gratuities, favors or anything of monetary value from contractors/parties to subcontracts
- Includes disciplinary actions for violations



Federal requirements include...

- Geographic preference option may be exercised
 - When purchasing unprocessed, locally grown or locally raised agricultural products
 - Agricultural products that retain their inherent character
 - The product has not been changed when handled from the farm to the plate to prepare it for serving
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Inherent Character of a Product?

- The following food handling and preservation techniques are not considered character changing:
 - Cooling/refrigerating/freezing;
 - Size adjustment—
peeling/slicing/dicing/cutting/chopping/shucking/etc;
 - Forming ground products into patties without any additives or fillers;
 - Drying/dehydration/washing/packaging/vacuum packing/bagging;
 - The addition of ascorbic acid or other preservatives to prevent oxidation;
 - Butchering livestock and poultry/cleaning fish; and
 - Pasteurization of milk.
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Procurement Basics

The procurement process involves:

- distinct phases of planning;
 - drafting specifications; (decision making)
 - advertising the procurement;
 - awarding a contract; and
 - managing the contract (control/monitoring)
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Procurement Basics

- What are the different types of procurement methods?

Informal Procurement

- Micro purchase

*Value of purchase is less than \$3,500

- Small purchase

*Value of purchase is above \$3,500 - \$99,999 annually



Formal Procurement

- Large purchase

*Competitive Sealed Bidding (IFB)

*Competitive Negotiation (RFP)

*Value of purchase exceeds State (\$100,000) threshold

Noncompetitive Proposals

- solicitation of a proposal from only one source

* written request necessary

Informal: Micro-Purchases

- The aggregate dollar amount does not exceed the \$3,500 threshold
 - Distribute micro-purchases equitably among qualified suppliers
 - *May* be awarded without soliciting competitive quotes if the operator considers the price to be reasonable
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Micro-purchasing Scenario

A Program operator makes the following purchases on the same day at two separate locations: computer paper and ink cartridges at a retail office supply store, and paper towels and cleaning fluids at a different retail store. The dollar amount spent at each supplier is less than the micro-purchase threshold.

Each purchase is a separate transaction made from different suppliers. Neither supplier is involved in the transaction with the other. Therefore, these transactions are micro-purchases and the Program operator has distributed purchases among qualified suppliers.

Micro-purchasing Scenario

Purchase of computer paper valued \$1,000

Competitive price quote needed?

No

However...

your written procurement procedures [2 CFR Part 200.318(a)] must include a procedure that such purchases must be rotated among qualified suppliers.

Why?

“Spreading the wealth”

Food Service Management Company Contracts

Getting the right price, product, and
service for your organization



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Material Changes

- USDA published final rule on meal pattern requirements
 - New meal pattern = material change
- Effective date of implementation is October 1, 2017
 - All FSMC contracts must reflect meal pattern change **no later than** this date

State Agency requesting all institutions to allow for ~1.5 months for time for solicitation and compliance (i.e. institutions with September 30, 2017 contract end date should start procurement process no later than August 15, 2017)

Procurement Outline

- ☐ Small and large purchase procedures
- ☐ The contract
- ☐ **When**
 - to begin the process
- ☐ **What**
 - Are the required timelines for bids
 - Language to use to post the bid
- ☐ **Where**
 - to post the advertisement
- ☐ **How**
 - to select a vendor
- ☐ Final submission to the State Agency (OSSE)



Small Purchase Procedures



Informal: Small Purchase Procedures

- Cannot arbitrarily split purchases, whether the product is coming from the same vendor or not, if the only justification is to keep the price below the small-purchase threshold.
 - Less rigorous than large purchases but competition is still required and the regulation must be followed.
 - The award is made to the responsive and responsible bidder with the lowest price.
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Informal: Small Purchase Procedures

3 Verbal Quotes

- If total value of contract is \$3,500 and less than \$25,000

3 Written Quotes

- If total value of contract is \$25,000 and less than \$100,000
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Steps for Small Purchase Procurement

Prepare to solicit quotes

- Determine the services desired and meal service locations.
- Prepare the same meal requirements and specifications of the intended agreement, including delivery conditions, to share with all FSMCs.

Make the call

- Contact potential vendors in a variety of ways (visiting a vendor, calling on the phone, or emailing) and collect at least three price quotes.
- Maintain all quotes on file for verification.

Award the Contract

- Ensure contracts do not include unallowable cost provisions.
- Determine which bidder offers the best value and award the contract to the bidder that is most responsive and responsible with the lowest price.
- Sign a small purchase contract with your chosen FSMC.
- Prepare and submit a small purchase contract package to submit to your Specialist.

Manage the Contract

- Ensure the institution receives everything from the vendor that the contract stipulates.

*Remember that institutions must have a written code of conduct for employees engaged in award, administration, and management of the FSMC contract.

Small Purchase Package



What's in the small purchase package?

Documents to include and complete:

- ❑ Small Purchase Record of Quotations
 - ❑ Small Purchase Procedures
 - ❑ Solicitation for Food Service Contract
 - ❑ Unit Price Schedule, Instructions and Example
 - ❑ Schedule A, B, & C
 - ❑ Small Purchase Contract*
 - ❑ Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion w/ Instructions
 - ❑ Small Purchase Contract Addendum for Renewals
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Small Purchase Contract

Things to consider:

- specifications for the types of meats/meat alternates desired;
- provision of vegetarian options;
- provision of approved soy milks as milk substitutes;
- frequency of serving fresh produce, juice, milk at snack, sweet grain desserts at snack, etc.;
- specify utensils or serving equipment needed;
- number and timing of deliveries

Large Purchase Procedures





Large Purchase Procedures

If total value of contract is over \$100,000:

- Develop (create specifications) IFB/RFP
 - Adapt State Agency template or use institution's following Federal and local requirements (seek approval)
 - The State Agency must approve all IFBs and RFPs before advertising
 - Publish bid announcement for at least one day in widely-read newspaper
 - Keep bid open for at least 14 days prior to the opening of bids
 - Bids may be open longer, ex. 30 days
 - Complex solicitations for FSMCs may require 45-60 days for the contractor to review, develop, and submit a response
 - Solicit additional bids if desired
 - Give IFB or RFP packet to interested companies
 - Open bids/proposals
 - More than one person must be present
 - Record all bids/proposals
 - Score proposals
 - Award contract
 - Notify all bidders of results – State Agency has templates for use
 - Submit complete bid package to Specialist
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WHERE to post your (NEW) ad

- In a publication/medium that is accessible and advertises to all

Examples~

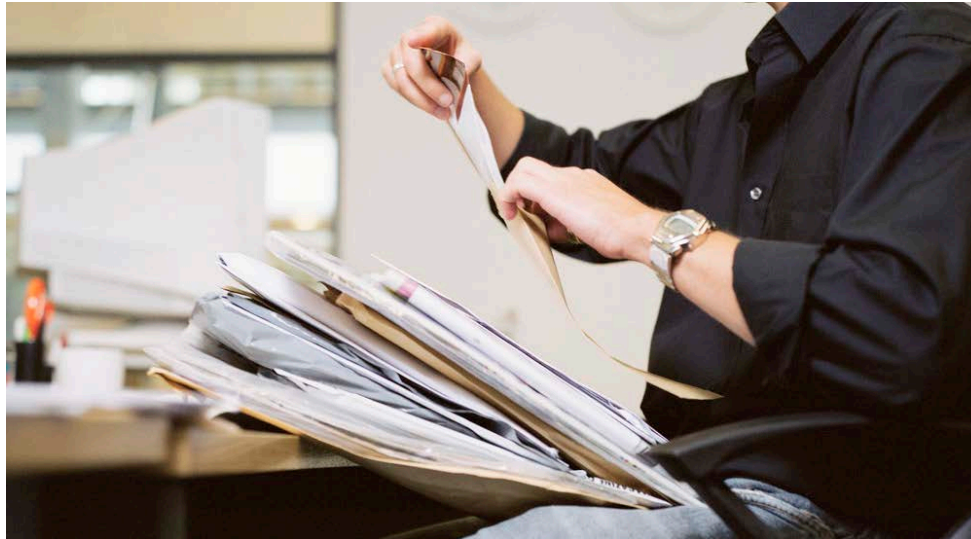
Washington Post

Washington Times



Large Purchases (over \$100,000)

- Options:
 - Invitation for Bids (IFB)
 - Request for Proposals (RFP)



Large Purchase Procedures

IFB - Invitation for Bid

- ☐ Award must be made to the lowest responsive and responsible bidder meeting the specifications
- ☐ Lowest price prevails
- ☐ May request State Agency approval to choose higher bidder – justification required that lowest bidder will not meet specifications



RFP- Request for Proposal

- ☐ Award is made to the bidder that receives the highest point score based on the award criteria
- ☐ Highest Score



Large Purchase: IFB

- Competitive Sealed Bidding or IFB

- Bids are publicly solicited and a fixed price contract is awarded to the most responsive (Vendor's products or services meets the institution's specifications), responsible (Vendor can and will successfully fulfill the terms and conditions of the proposed procurement) bidder whose bid conforms with all material terms and conditions
- Also generally the lowest bid/price



- When to use an IFB?

- Complete, adequate and realistic specifications, including attachments and purchase description, are available
 - Two or more responsible bidders are willing and able to compete for the business
 - The procurement lends itself to a fixed price contract (with or without a cost adjustment tied to a standard index)
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Large Purchase Procedures: IFB example

- Vendor A
Will provide 10,000 lunches per year for
\$41,320 per year



- Vendor B
will provide 10,000 lunches for
\$41,000 per year

Large Purchase: RFP

- Competitive Proposals or a Request for Proposal (RFP)
 - This technique of competitive proposals is conducted with more than one source submitting an offer
 - Fixed price contract to be awarded
 - Generally used when conditions are not appropriate for the use of sealed bids
 - Such as the need to make award on the basis of non-price related factors
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Large Purchase: RFP

- Awarding a Contract Using Negotiated Procurement (RFP)
 - Price and other factors considered in the award of a contract most advantageous to the program
 - Technical proposals are publicized and all evaluation factors are identified and weighted based on their level of importance
 - Suggestion: SA requires that you identify the panel of individuals who will evaluate the proposal**
 - Proposals must be solicited from an adequate number of qualified sources





Large Purchase Procedures: RFP example

- Bid Price 51 points
- Menu 8
- Food Presentation 10
- Adequacy of plant & transp. 7
- References 8
- Previous Experience 7
- Financial Capability 9

total 100 points

Large Purchase Package



Important IFB/RFP Sections:

- Cover Page
 - Definitions
 - Certificate of Independent Price Determination
 - Unit Price Schedule
 - Scope of Services
 - Explanation to Bidders
 - Recordkeeping
 - Option to Extend the Contract
 - Schedule A
 - Schedule B
 - Schedule C
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Procurement - Start to Finish

- After a contract is awarded, the institution must:
 - Manage the contract daily
 - Continuously monitor to ensure products received are those requested in the contract
 - Ensure that contract terms are being enforced and monitor for violations
 - Address sanctions for contract violations
 - Ensure accurate and timely payment of invoices, including the return of discounts, rebates and credits for cost reimbursable contracts



Non-Compliance — per the IFB/RFP

- Institution shall reserve the rights to:
 - Inspect meals
 - Determine the quality of meals
 - Reject any meal
 - The institution shall not pay for:
 - Unauthorized menu changes
 - Incomplete meals
 - Meals outside of delivery time
 - Meals rejected that do not comply with CACFP specifications
-

Contract Termination — per the IFB/RFP

- Provisions for Termination
 - Improper Execution
 - Contract Default
 - Emergency Procurement
- Availability of funds



Procurement - Start to Finish

- Before starting the procurement process, an institution should evaluate its operations to determine its needs
- This includes reviewing:
 - Storage capacity: refrigerator, freezer, oven, warmer, holding meals for after-school programs, etc.
 - Staff resources: who and how many needed to perform all tasks?
 - Processing abilities: do I want to cut-up oranges, etc.?
 - Food safety practices: food handler certificate(s), operating license, health inspections, HACCP plan
 - Menu Planning: what worked and what didn't, likes and dislikes, etc.
 - Current food inventory: has any food or non-food items been received that can be used in for future use?



Procurement - Start to Finish

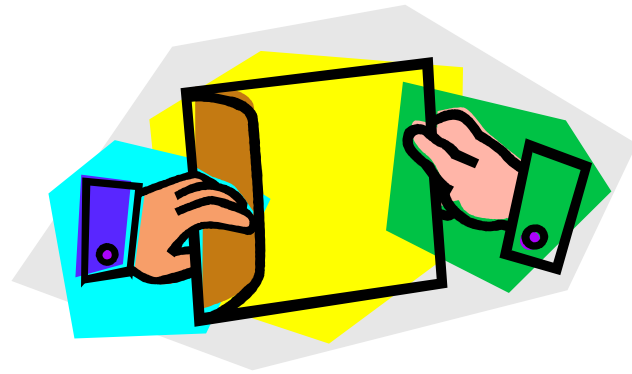
- Evaluation of needs continues with:
 - Necessary Volume: the number of meals needed to feed infants/children/adults but limit excessive waste and leftovers
 - This can change from week to week
 - Preferences: age appropriate foods, ethnicity of enrolled population, vegetarian, dietary accommodations
 - Menu Pattern Requirements: meeting meal pattern requirements and variety
 - Required transportation and delivery needs: number of locations, refrigerated trucks, time(s) of delivery, transportation of meals around the city

State What You Need

- Number of locations & meals
 - Menu preferences
 - Product specifications
 - Brand names or specific products desired
 - Product type (i.e. fresh, canned, frozen)
 - Product quality (i.e. USDA grade)
 - Packaging requirements
 - Family Style vs. Single Serve
 - Delivery requirements
 - Have you clearly identified all the requirements bidders must meet, that will be used to evaluate the bids/proposals?
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Submit to the State Agency (OSSE)

- A minimum of 3 bids must be submitted (to show open and free competition)
- All the bids that the Institution received during the acceptance period
- A copy of the winning bid
- Remember, if done properly, and satisfied with the services, there is an option of 3 one-year RENEWALS



Noncompetitive Proposals





Noncompetitive Proposals

- Noncompetitive Proposal
 - Rare and the exception
 - Contract term not to exceed one year
 - During that year, document needs review to identify changes so that competition can occur.
 - When to use?
 - Item available from one source
 - Public exigency or emergency – delay is not permitted
 - Authorized by Food and Nutrition Services or State agency due to written request
 - After solicitation from a number of sources, competition is deemed inadequate
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